



NATIONAL CENTER FOR
THE MIDDLE MARKET

August 9, 2023

Middle Market Update

Latest Data and Insights from the NCMM

Doug Farren, Managing Director

IN COLLABORATION WITH



CHUBB

VISA

Today's Plan

- I. About – NCMM, Middle Market, and the MMI Report
- II. What's New - Performance and Sentiment 2023
- III. What's Next –Projections
- IV. Issues – External Headwinds, AI
- V. Wrap-Up and Q&A

The National Center for the Middle Market

The National Center for the Middle Market is a collaboration between The Ohio State University's Fisher College of Business, Chubb, and Visa. It exists for a single purpose: to ensure that the vitality and robustness of Middle Market companies are fully realized as fundamental to our nation's economic outlook and prosperity.

The Center is the leading source of knowledge, leadership, and innovative research on the middle market economy, providing critical data analysis, insights, and perspectives for companies, policymakers, and other key stakeholders, to help accelerate growth, increase competitiveness and create jobs in this sector.

Middle Market Research & Data



Quarterly Middle Market Indicator



Research and Expert Perspectives



Interactive Benchmarking Tools

Expertise & Outreach



Share Research & Discuss Trends

Education



Executive Programs



Webinars and Podcasts

The Mighty Middle Market

U.S. MIDDLE MARKET DEFINED



Annual Revenues Range from
\$10MM - \$1B



Accounts for
60% of All New
Private-Sector
Jobs



Nearly
200,000 in All Industry
Businesses Segments and
Geographies

Equivalent to the
5th LARGEST
global economy



Represents
1/3 of Private Sector
GDP and Employment



85%
of Companies
Are Privately Held



More than
\$10 trillion in annual revenue

Middle Market Indicator

What...

- National Survey of C-Level Executives

How...

- Self Administered Online Survey

Insight Areas

- Past year growth
- Current state of the business
- Short term outlook and challenges (3 months)
- Long term outlook and challenges (1 year)
- Confidence in the economy
- Attitudes toward Risk Management and IT spending
- Detailed corporate profiling

Who...

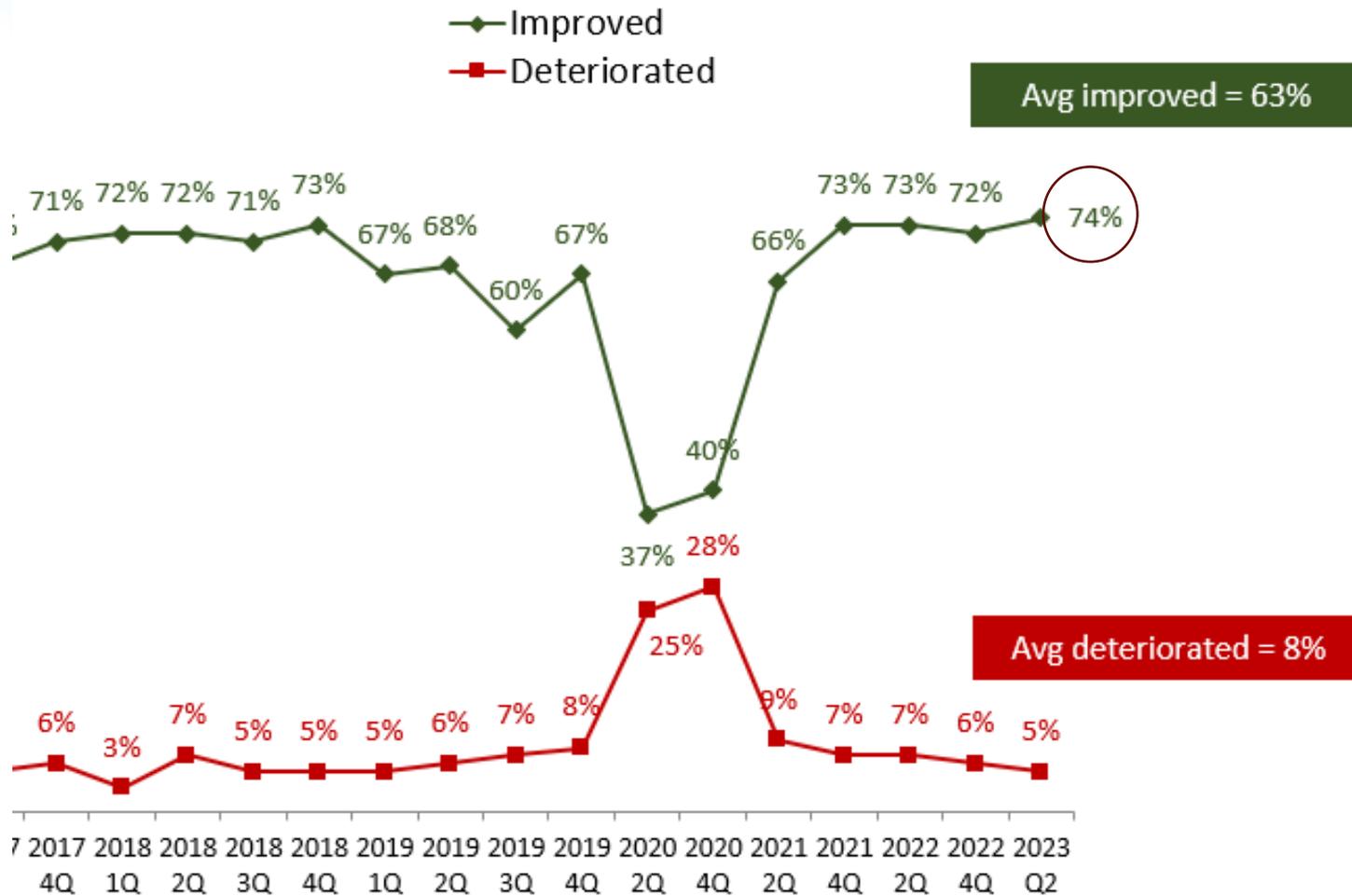
- Financial decision makers
- Private and Public Organizations
- \$10 million-<\$1 billion in Gross Revenue

When...

Mid-year MMI was fielded during the first 3 weeks of June 2023
The Year-End MMI is fielded during December 2023

What's New?

Overall Sense of Performance



Middle Market Company performance remains strong

Nearly 75% of the middle market say their business is performing better than a year ago... 11% higher than the historical average

Headwinds – inflation, potential recession, talent – creating uncertainty

Overview—Past Performance and Forecasts

REVENUE GROWTH
11.8%
PAST 12 MONTHS

4.8%
S&P 500

9.6%
NEXT 12 MONTHS



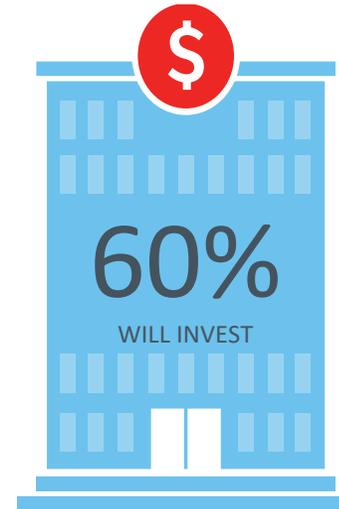
EMPLOYMENT GROWTH
10.1%
PAST 12 MONTHS

1.4% SMALL BUSINESS
1.6% LARGE BUSINESS

10.0%
NEXT 12 MONTHS



CAPITAL INVESTMENT



CONFIDENCE
74%
GLOBAL ECONOMY



74%
NATIONAL ECONOMY



87%
LOCAL ECONOMY



Mid-Year MMI: Revenue Growth Trend

Past, current, and projected revenue growth rates for the middle market and the S&P 500 (%)

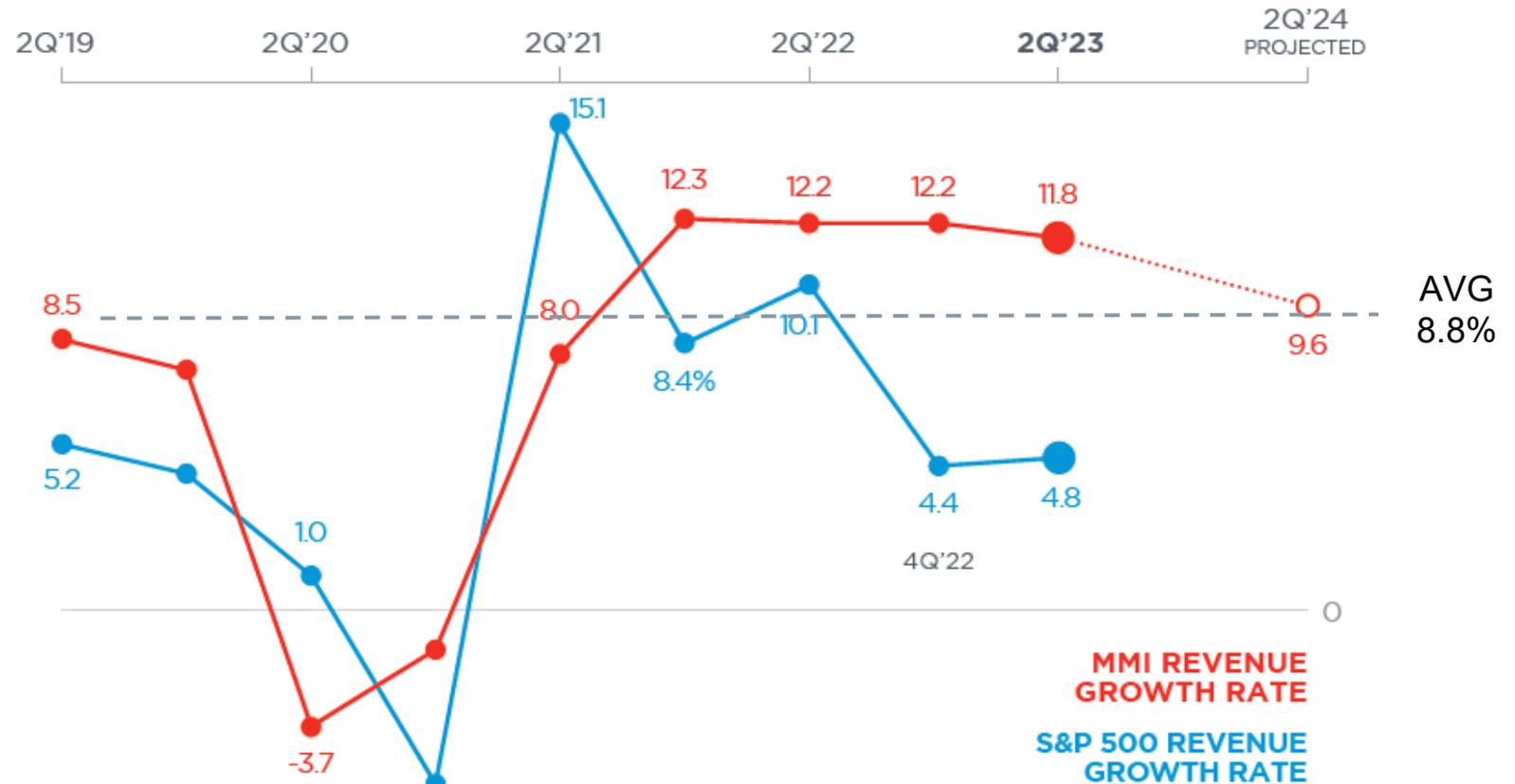
PAST 12 MONTHS

11.8%

U.S. MIDDLE MARKET

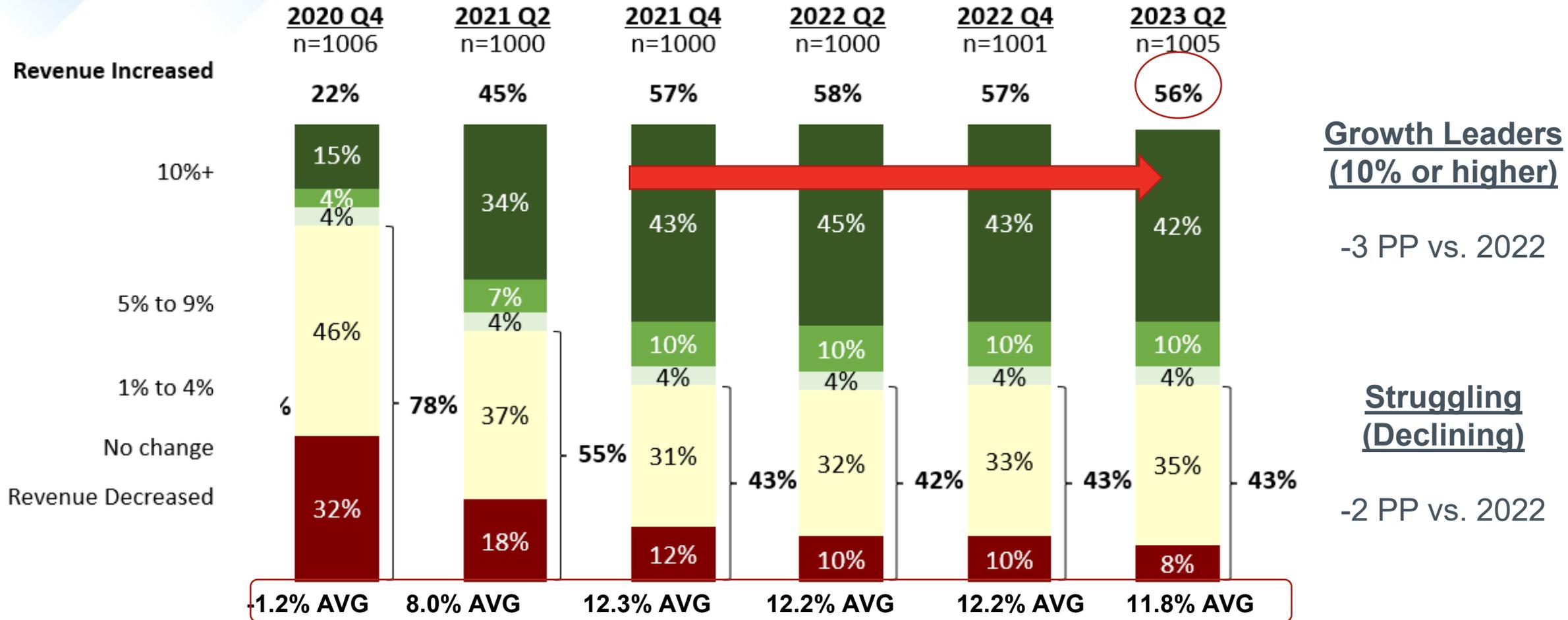
4.8%

S&P 500*



Source: Mid-Year Middle Market Indicator Report

Mid-Year MMI: Growth Remains Steady



Source: Mid-Year Middle Market Indicator Report

Mid-Year MMI: Revenue by Industry



Mid-Year MMI: Expansionary Activity Increases

Percent of middle market companies engaging in expansion activities over the past 12 months



Mid-Year MMI: Employment

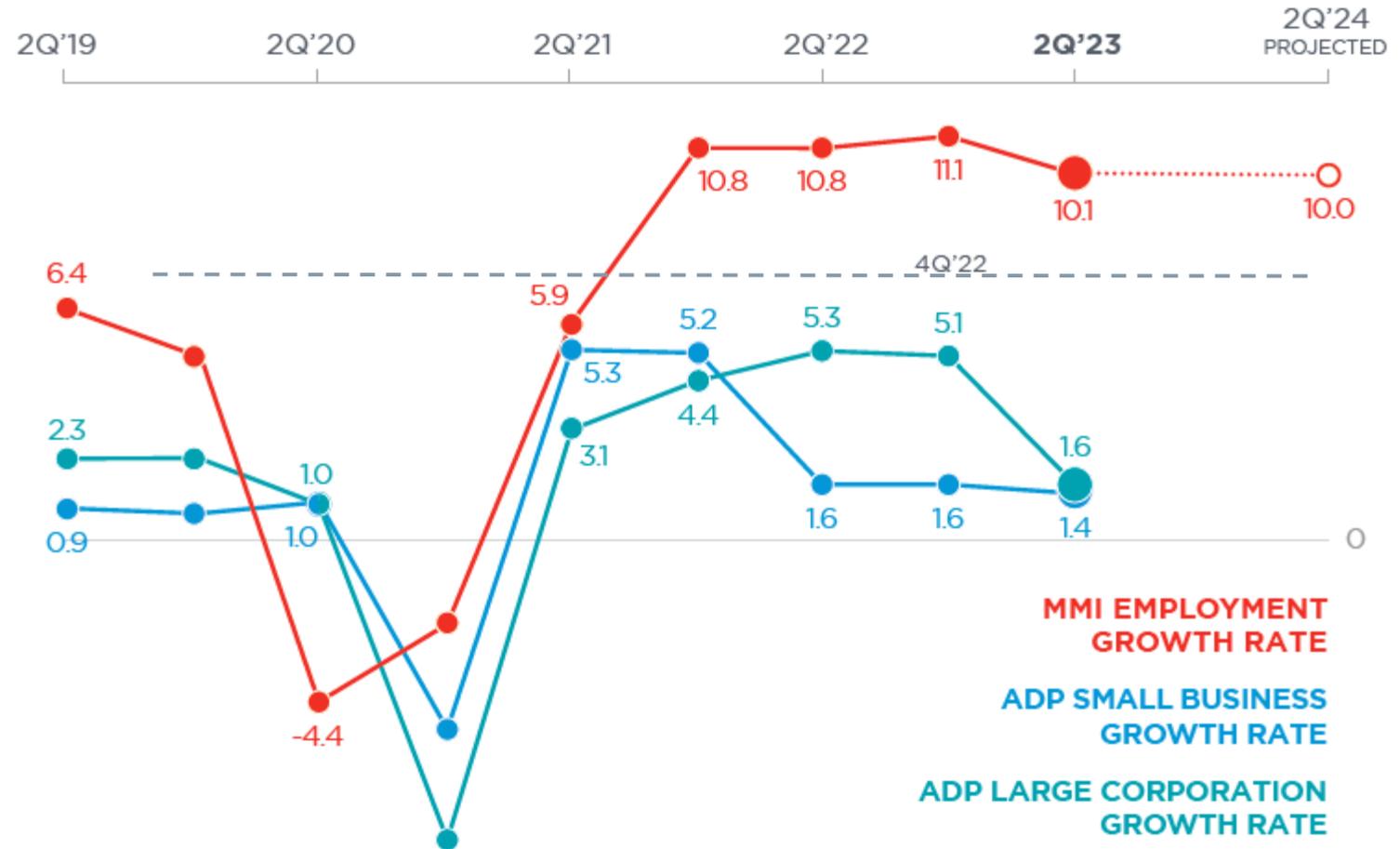
PAST 12 MONTHS

10.1%

U.S. MIDDLE MARKET

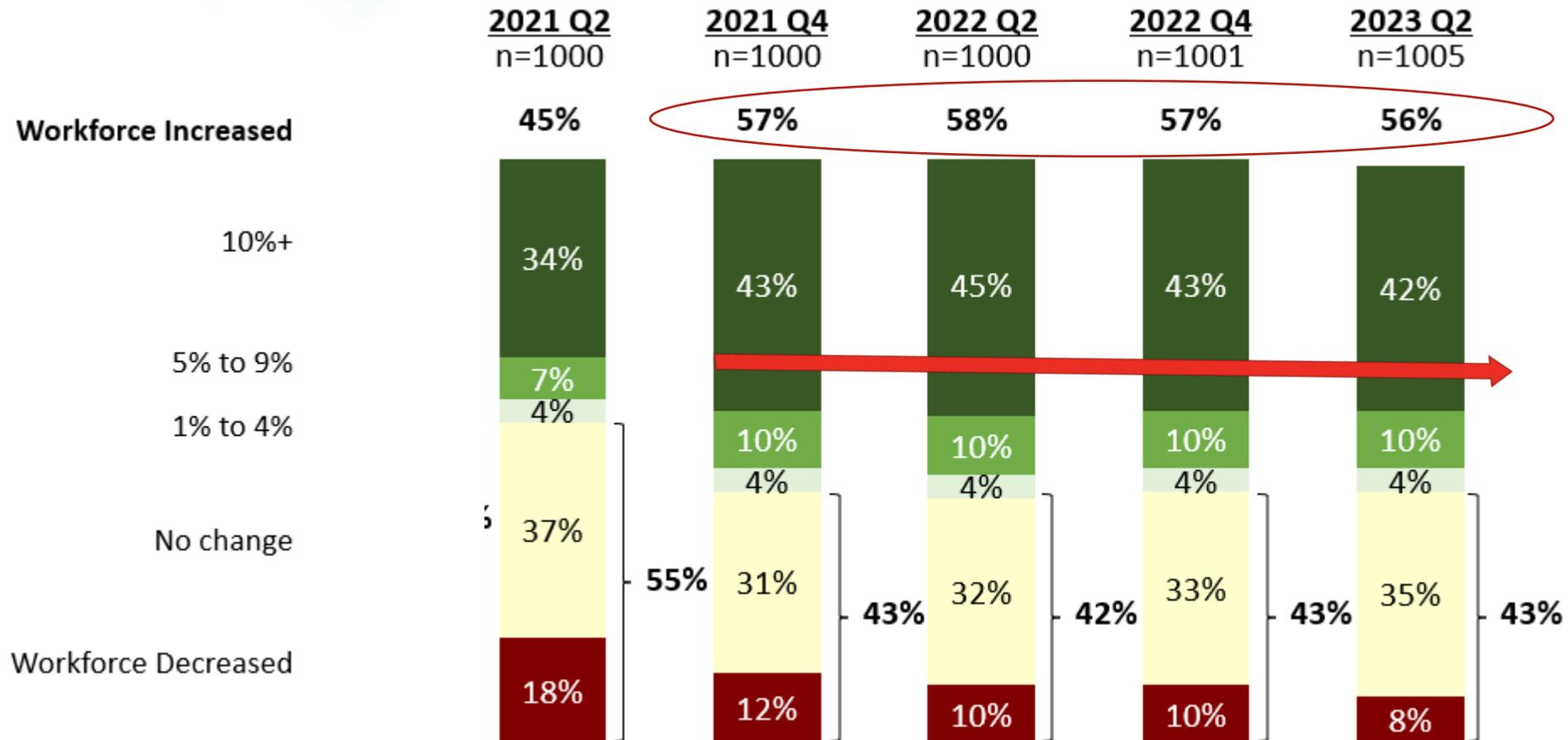
1.4%
SMALL
BUSINESS

1.6%
LARGE
BUSINESS



AVG
7.2%

Employment Growth Remains Steady

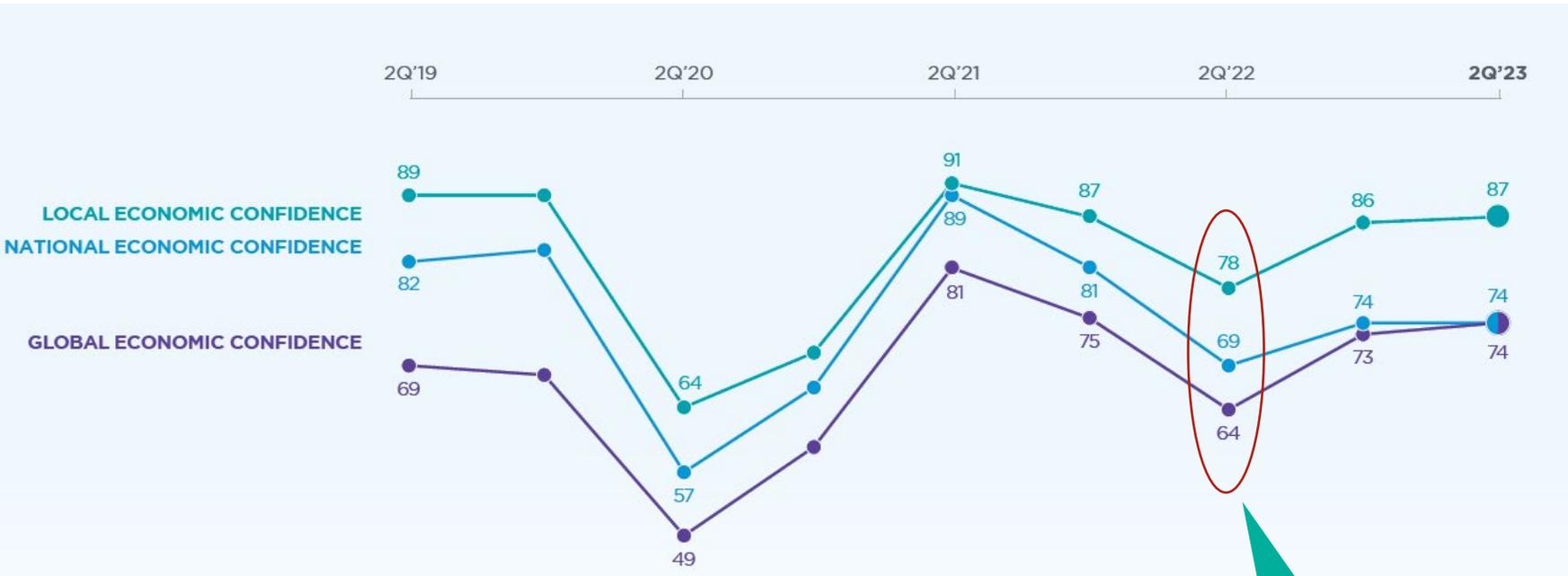


Year-End MMI: Employment by Industry



Economic Confidence Remains Steady

Confidence in Economy



GLOBAL ECONOMY

73%

+10% vs. 2022



NATIONAL ECONOMY

74%

+5% vs. 2022



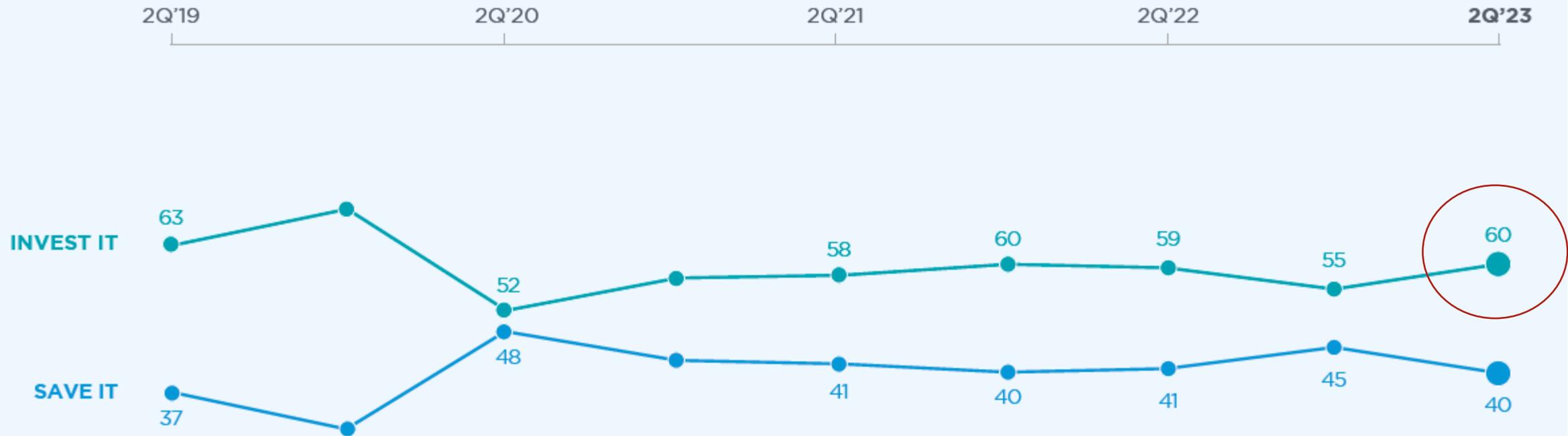
LOCAL ECONOMY

87%

+9% vs. 2022

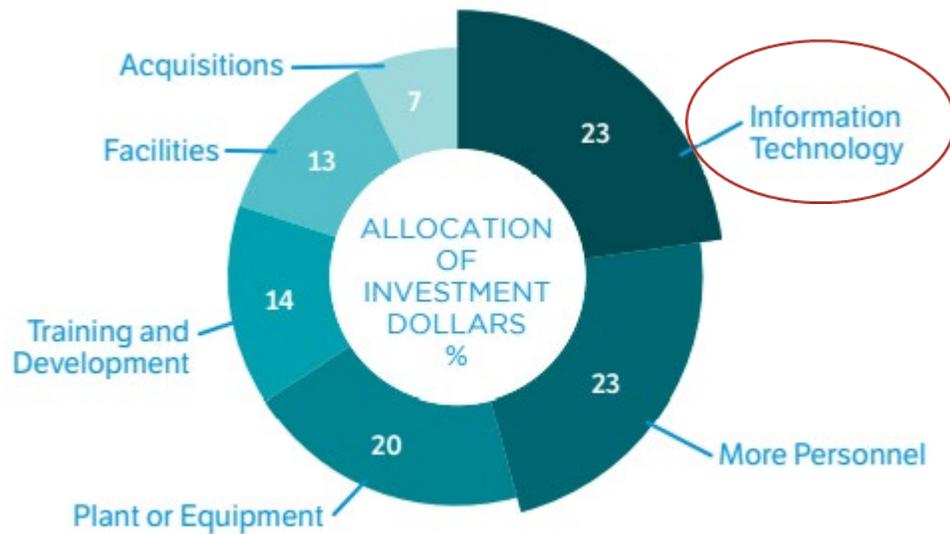
Lowest in
6 years!

Investment Plans Starting to Rebound

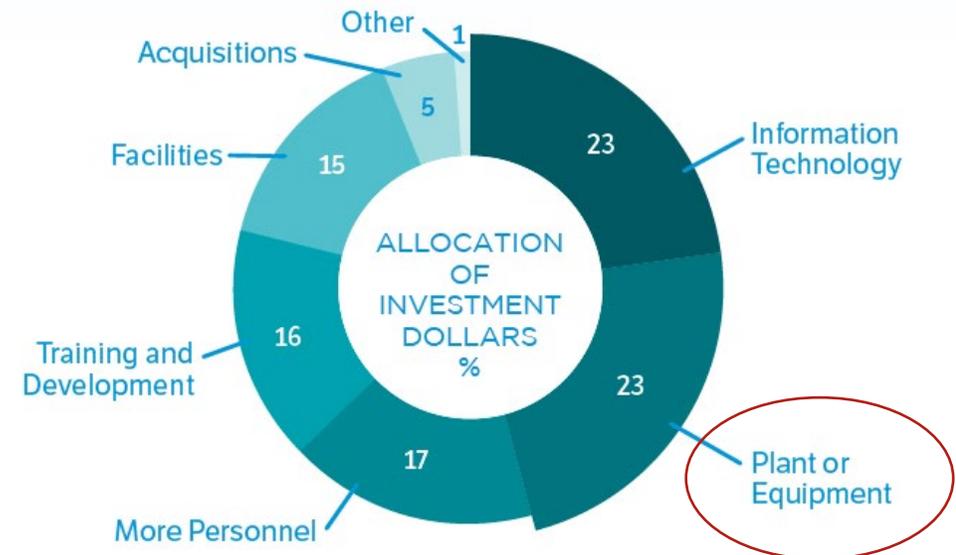


IT and Plant/Equipment are Top Targets for Investment Dollars

WHAT WOULD YOU DO WITH AN EXTRA DOLLAR TO INVEST?



U.S. MIDDLE MARKET, JUNE 2022



U.S. MIDDLE MARKET, JUNE 2023

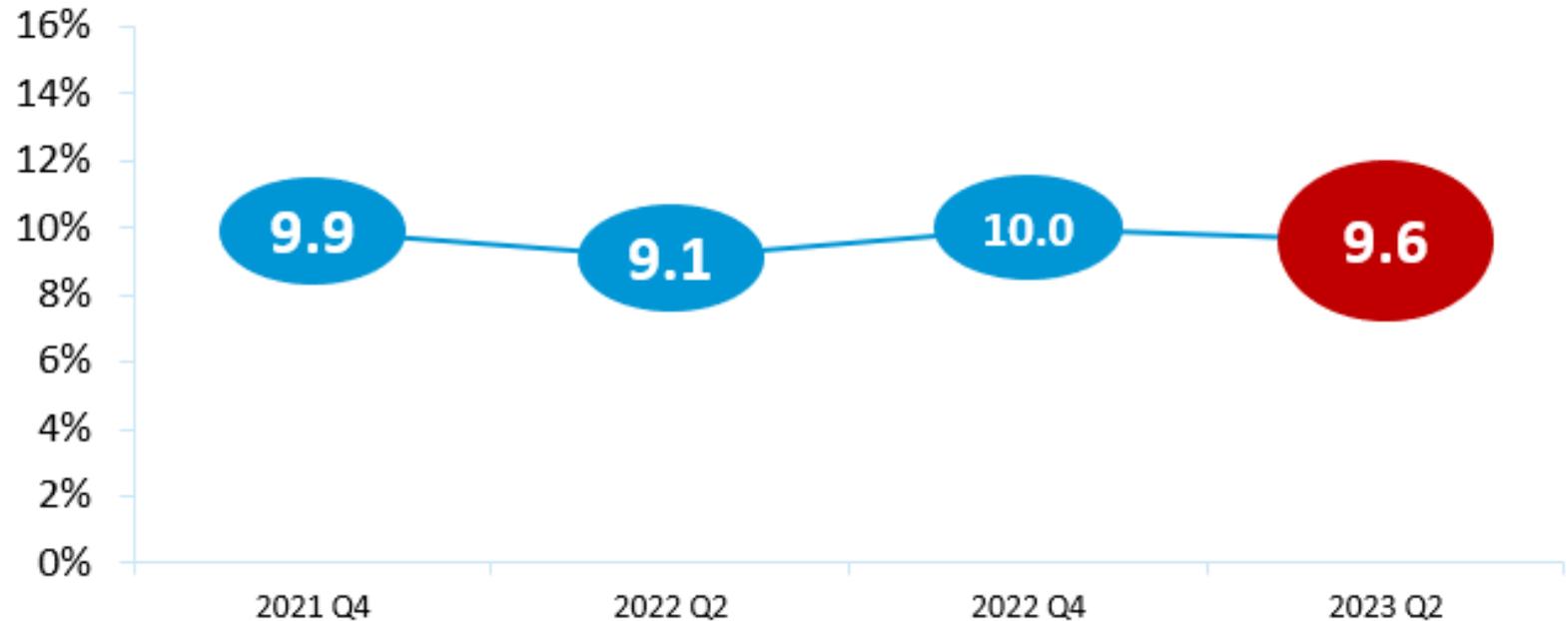
What's Next?

Mid-Year: Long Term Revenue Growth *Forecast*

FORECASTED REVENUE GROWTH FOR TWELVE MONTHS FROM ...

9.6%

U.S. MIDDLE MARKET

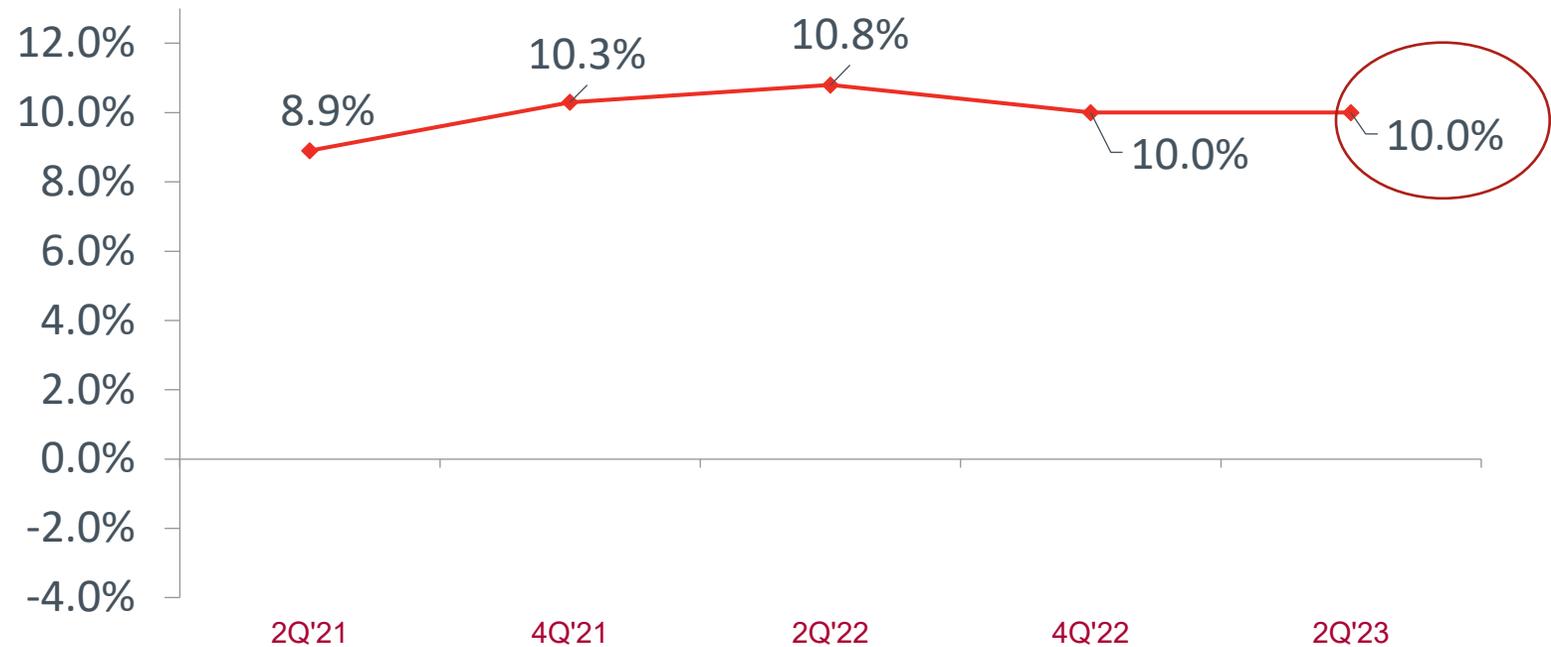


Mid Year: Long Term Employment Growth Forecast

FORECASTED EMPLOYMENT GROWTH FOR 12 MONTHS FROM ...

10.0%

U.S. MIDDLE MARKET



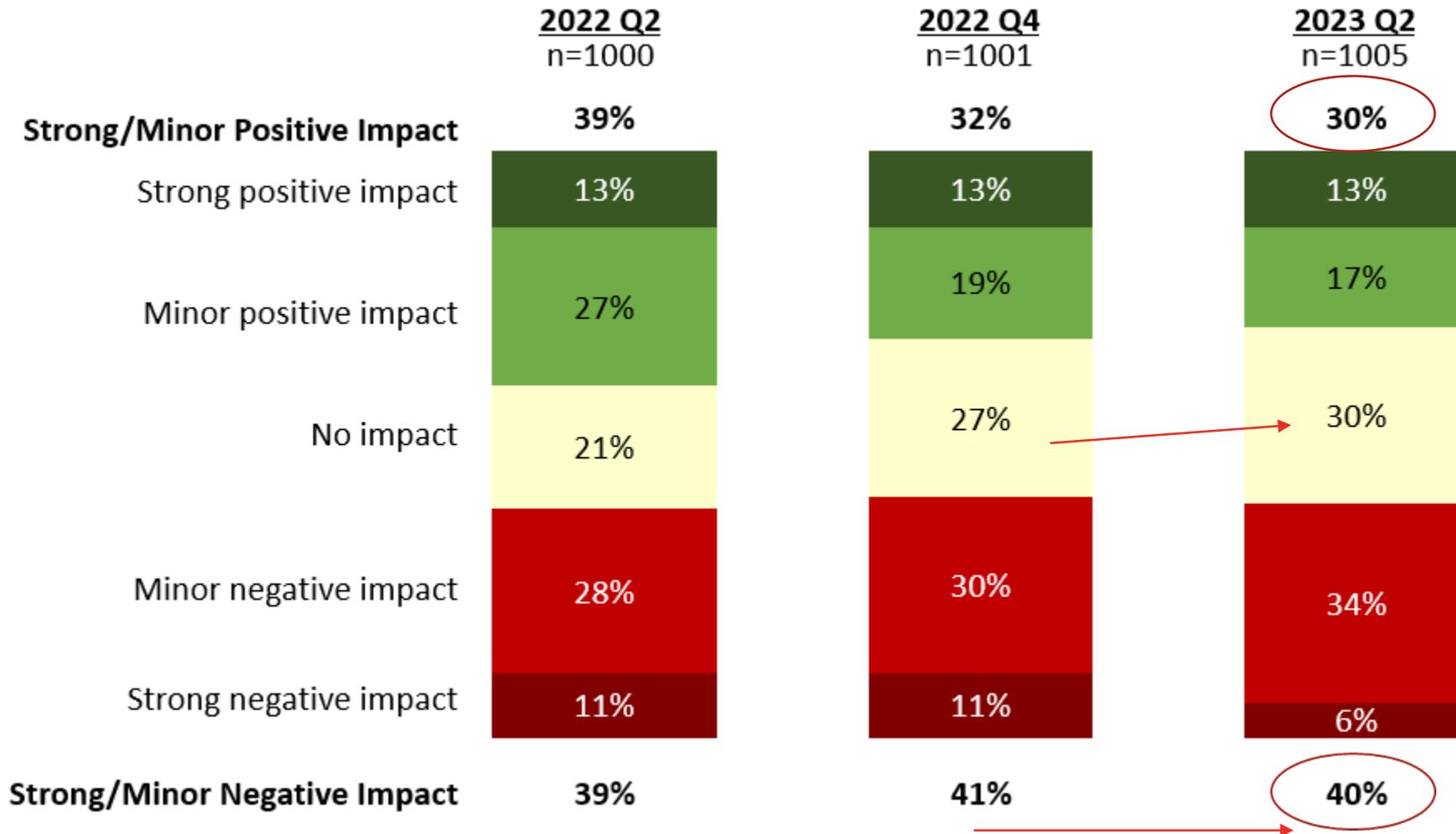
Managing Business and Macro Economy

EXTERNAL CHALLENGES

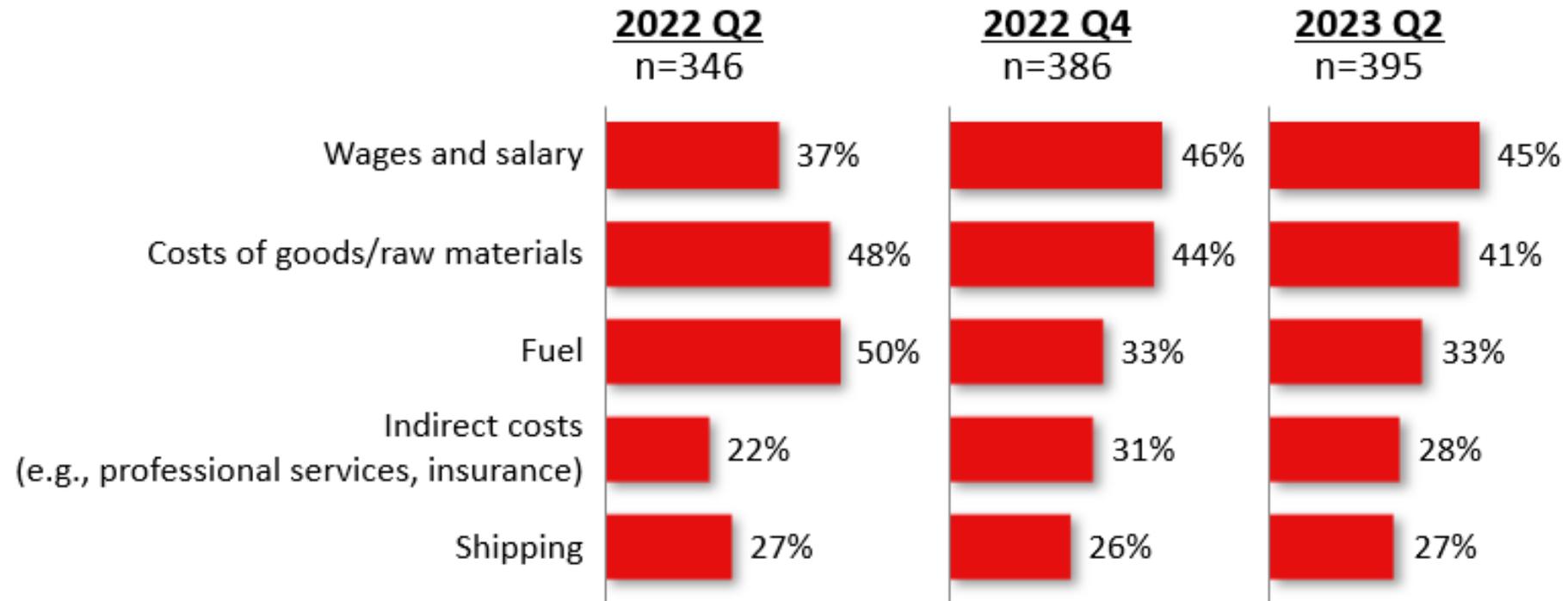
1. CORE BUSINESS ISSUES*	40%
2. ECONOMY	25%
3. TALENT MANAGEMENT	14%
4. GOVERNMENT	14%

Core Business Issues

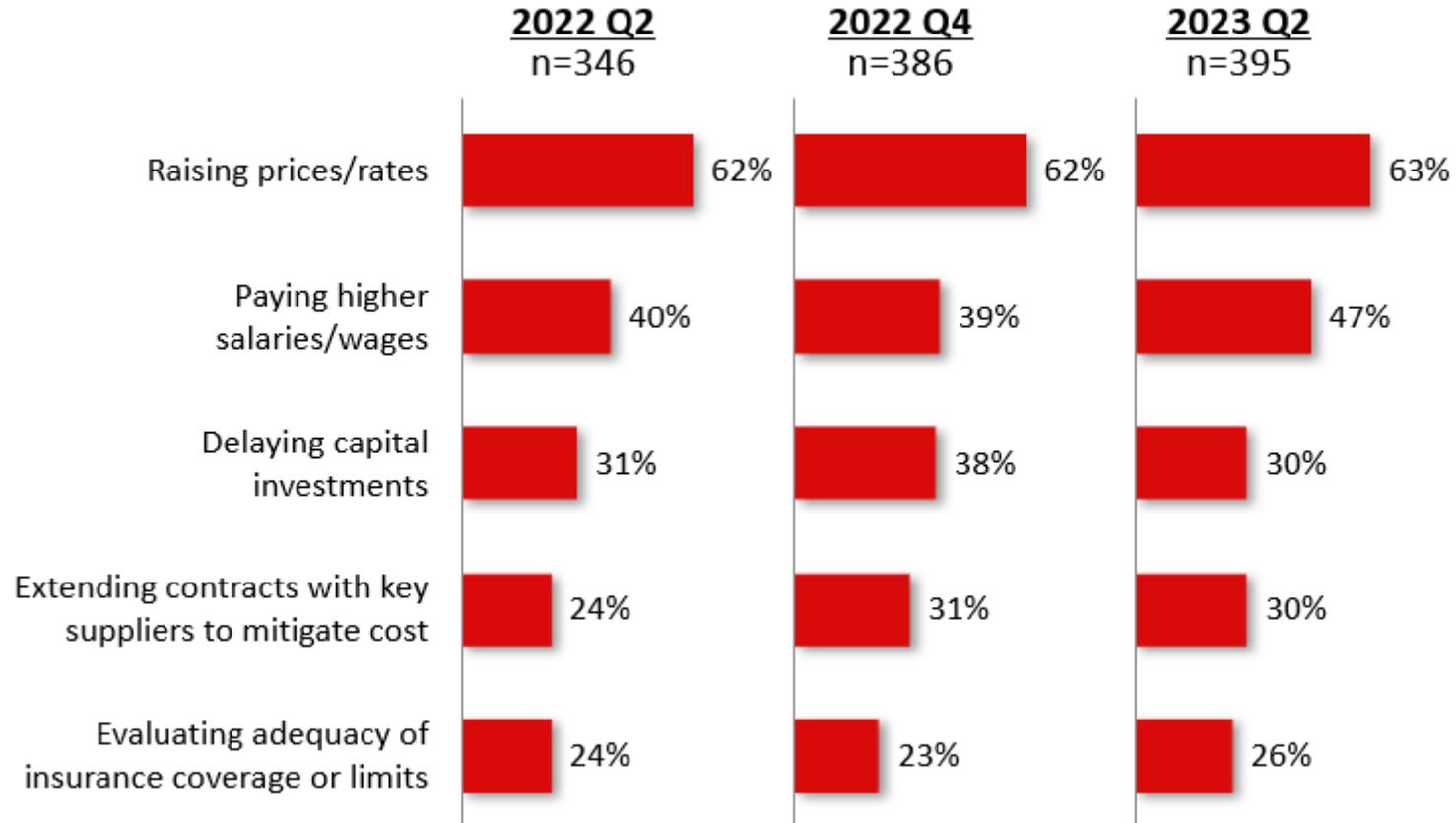
Inflation impact remains largely negative



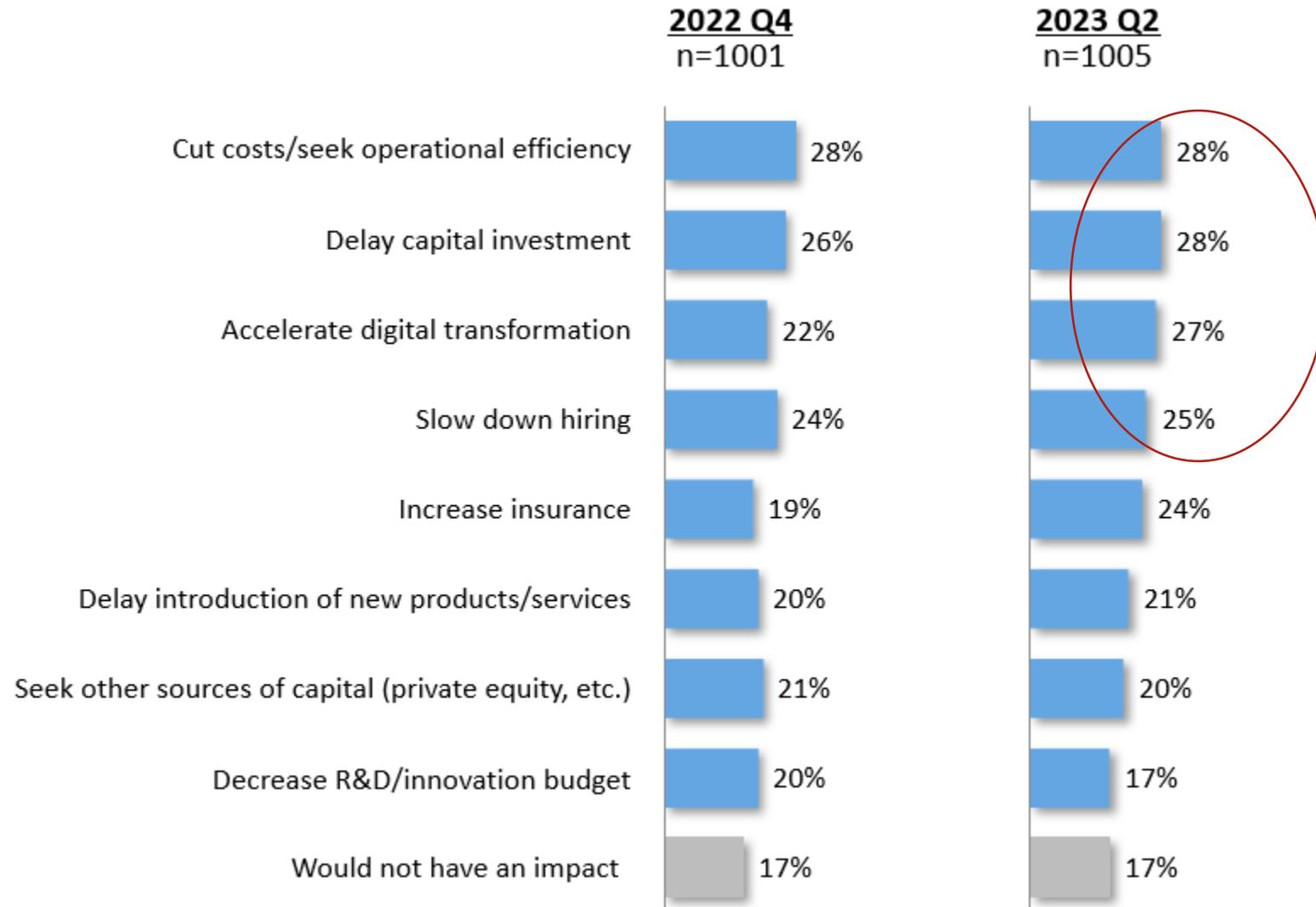
Wages remain the source of negative impact



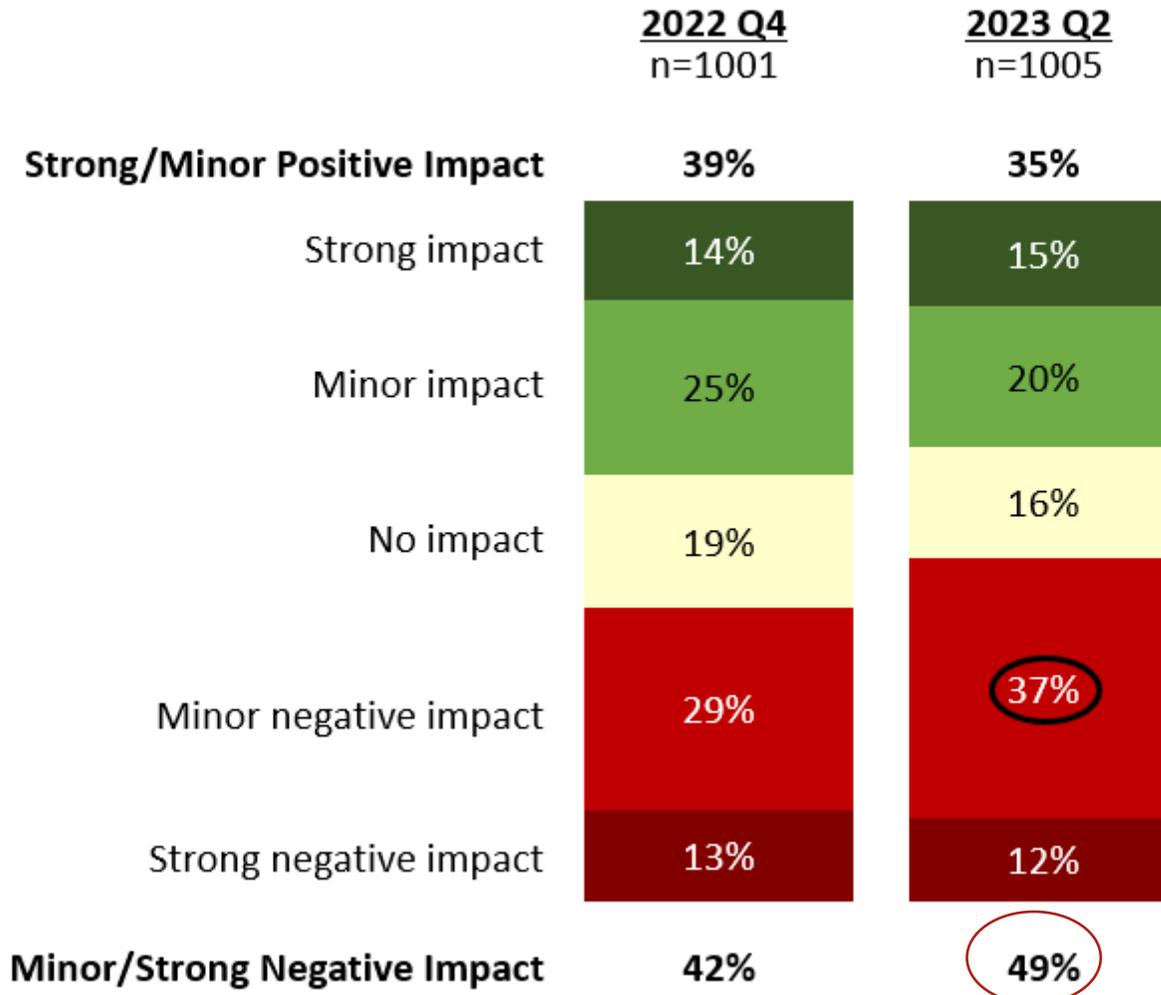
Tactics in response have remained the same



Impact of Rising Interest Rates

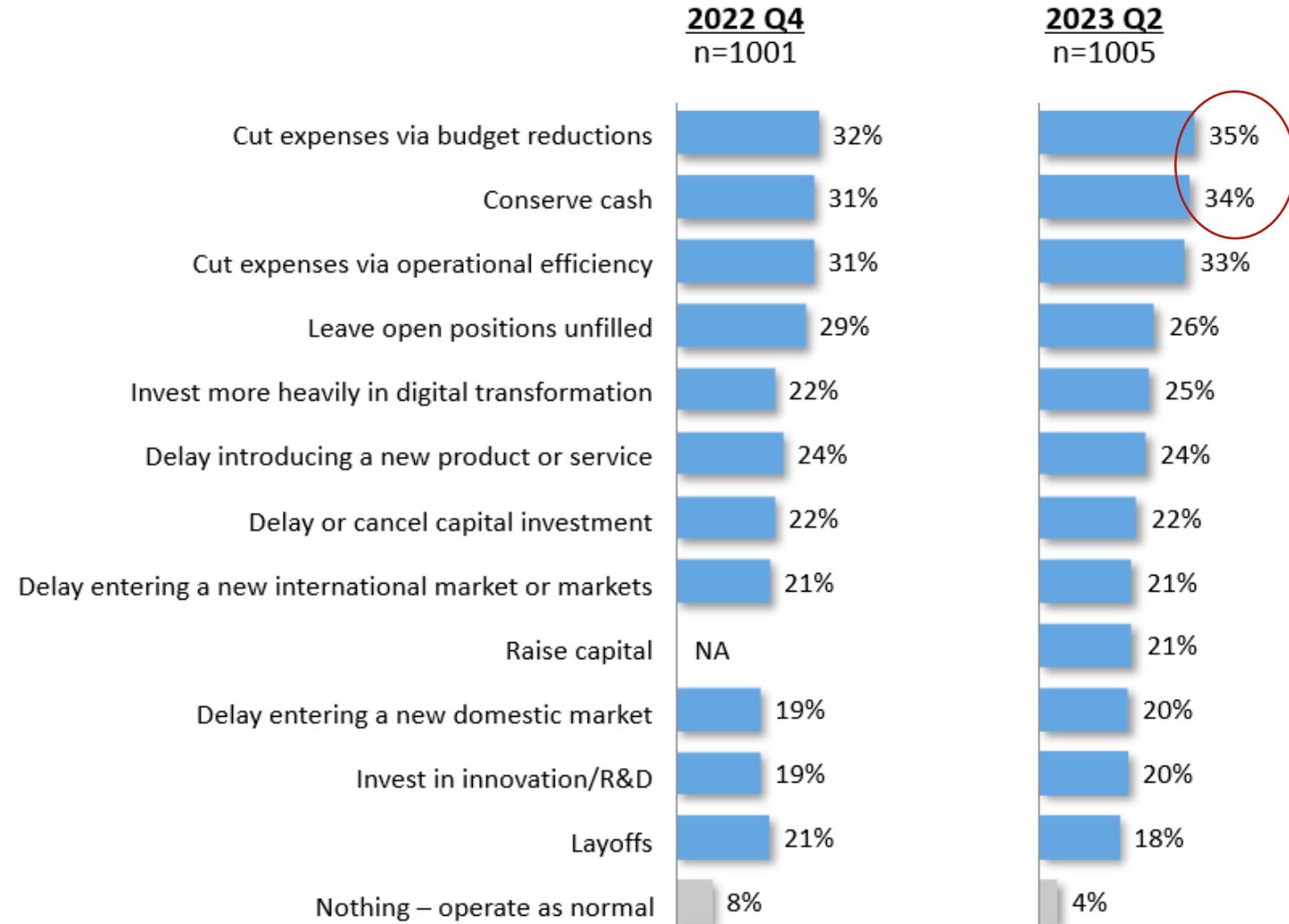
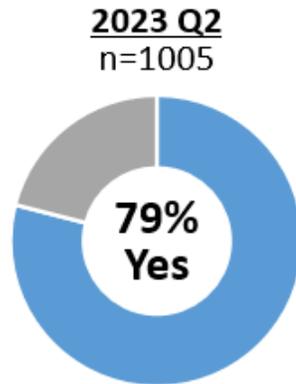


Potential Recession equally polarizing

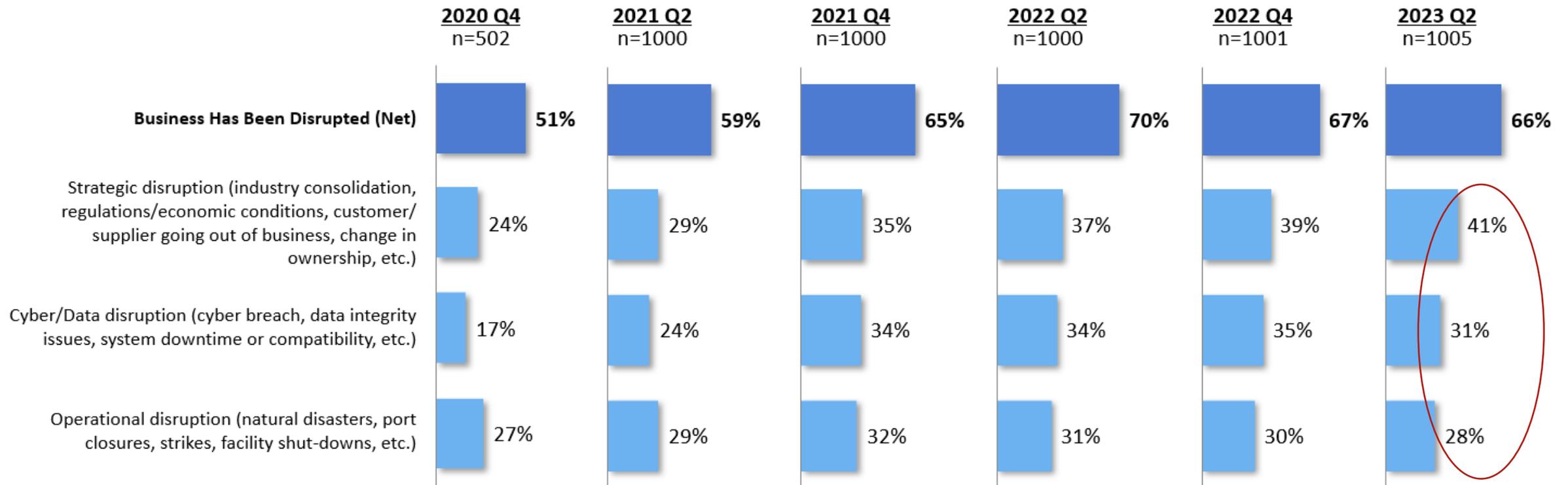


Preparation and potential action

Company Has Taken Steps To Prepare For A Recession



Middle Market continues to be disrupted

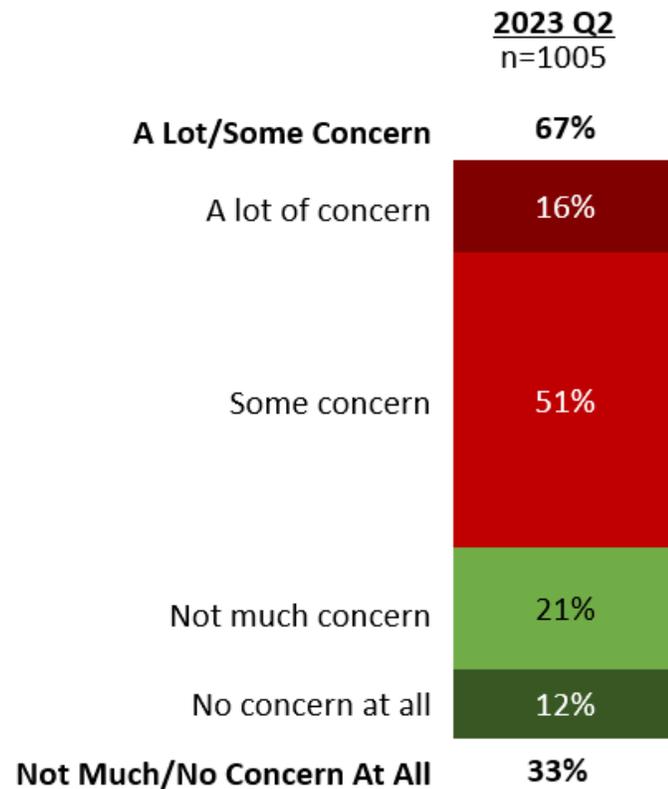


Top Emerging Risks

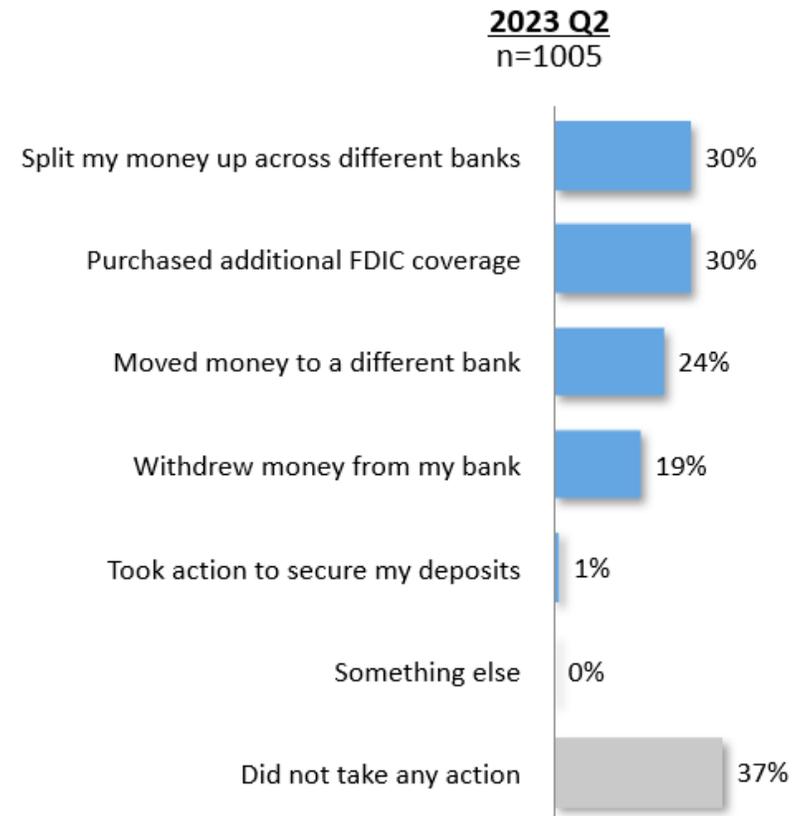


Banking Crisis

Concern Caused By The Banking Crisis That Occurred In March 2023

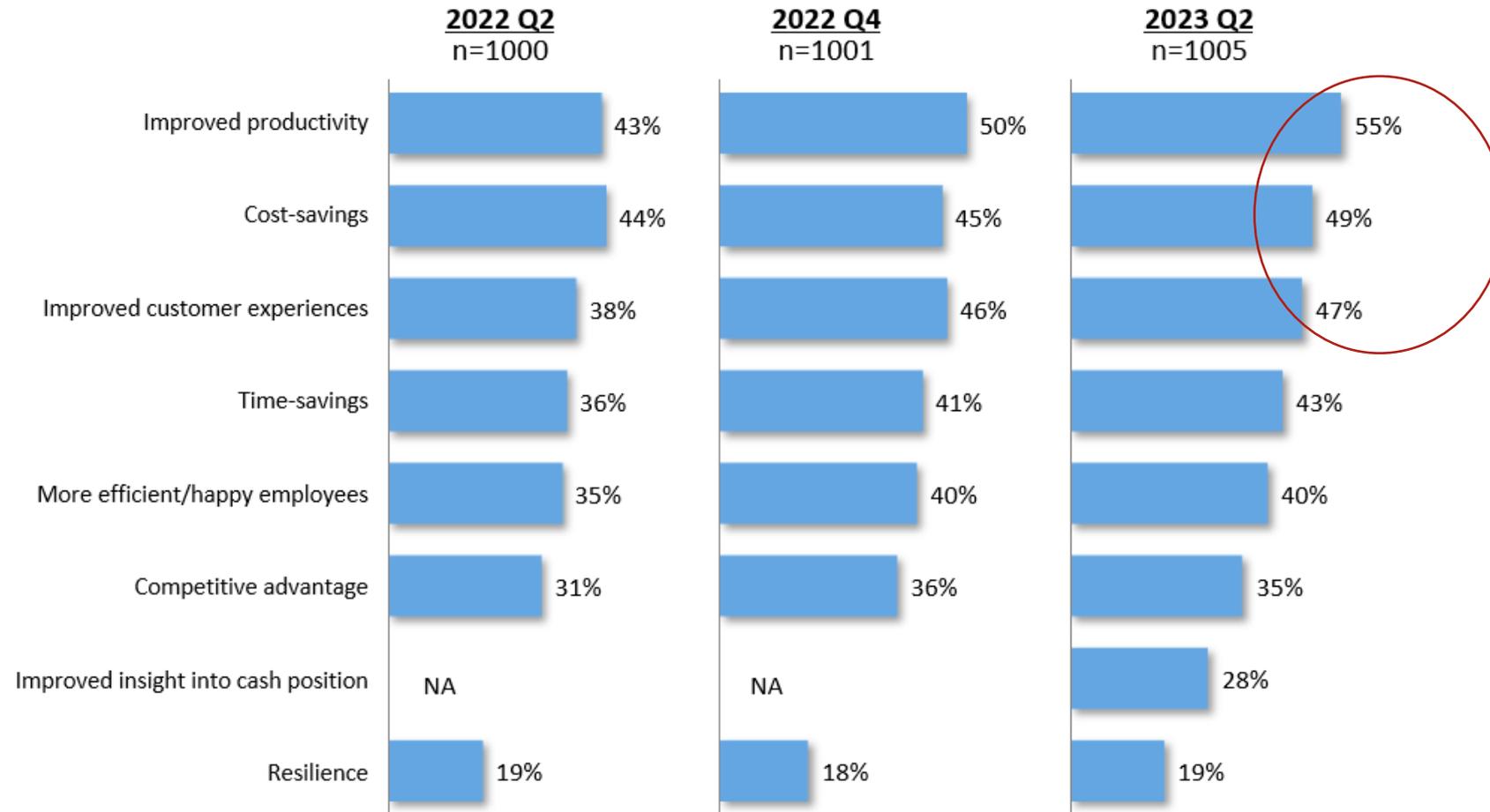


Actions Taken As A Result Of The Banking Crisis That Occurred In March 2023

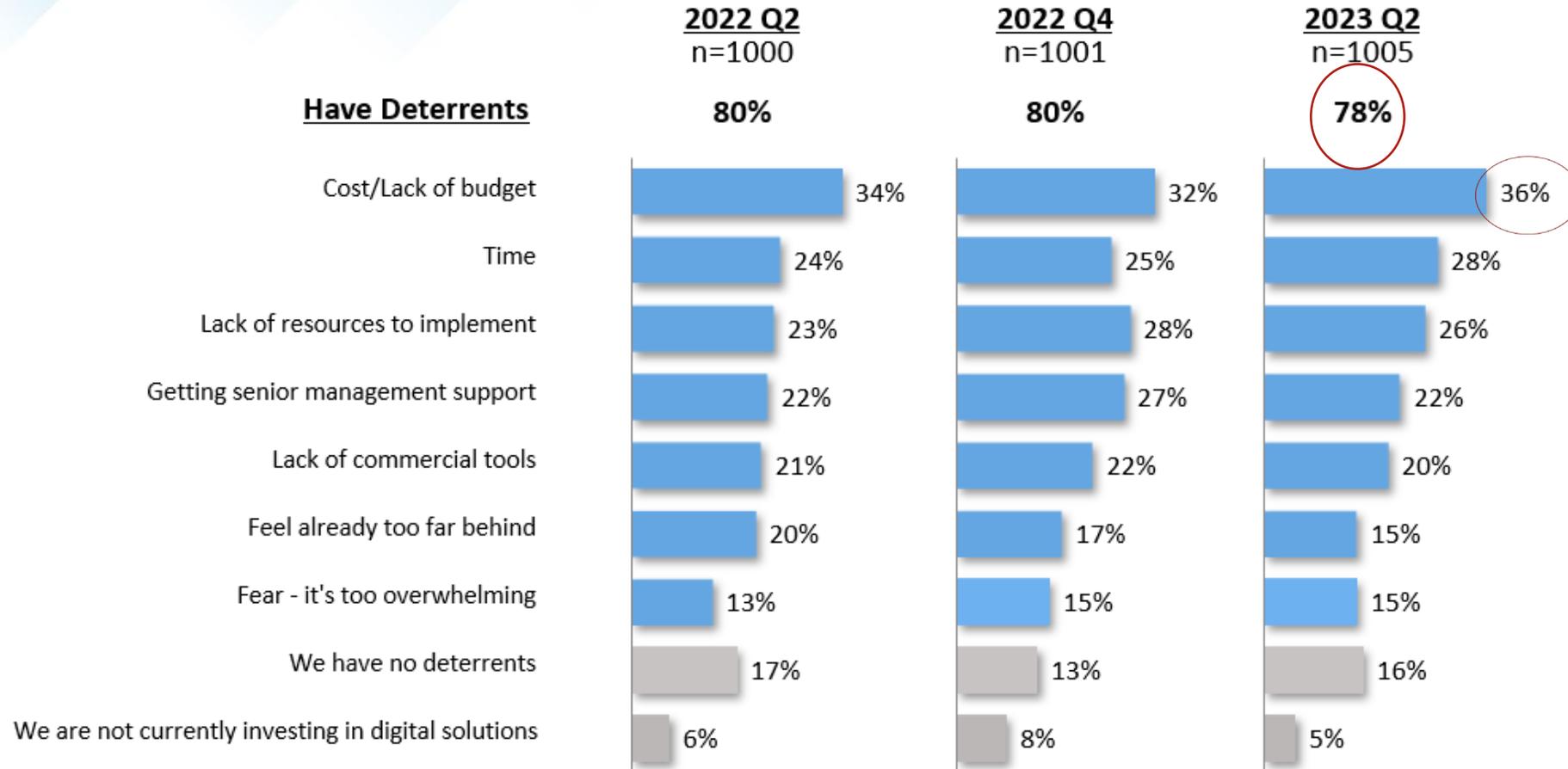


Digitization and AI

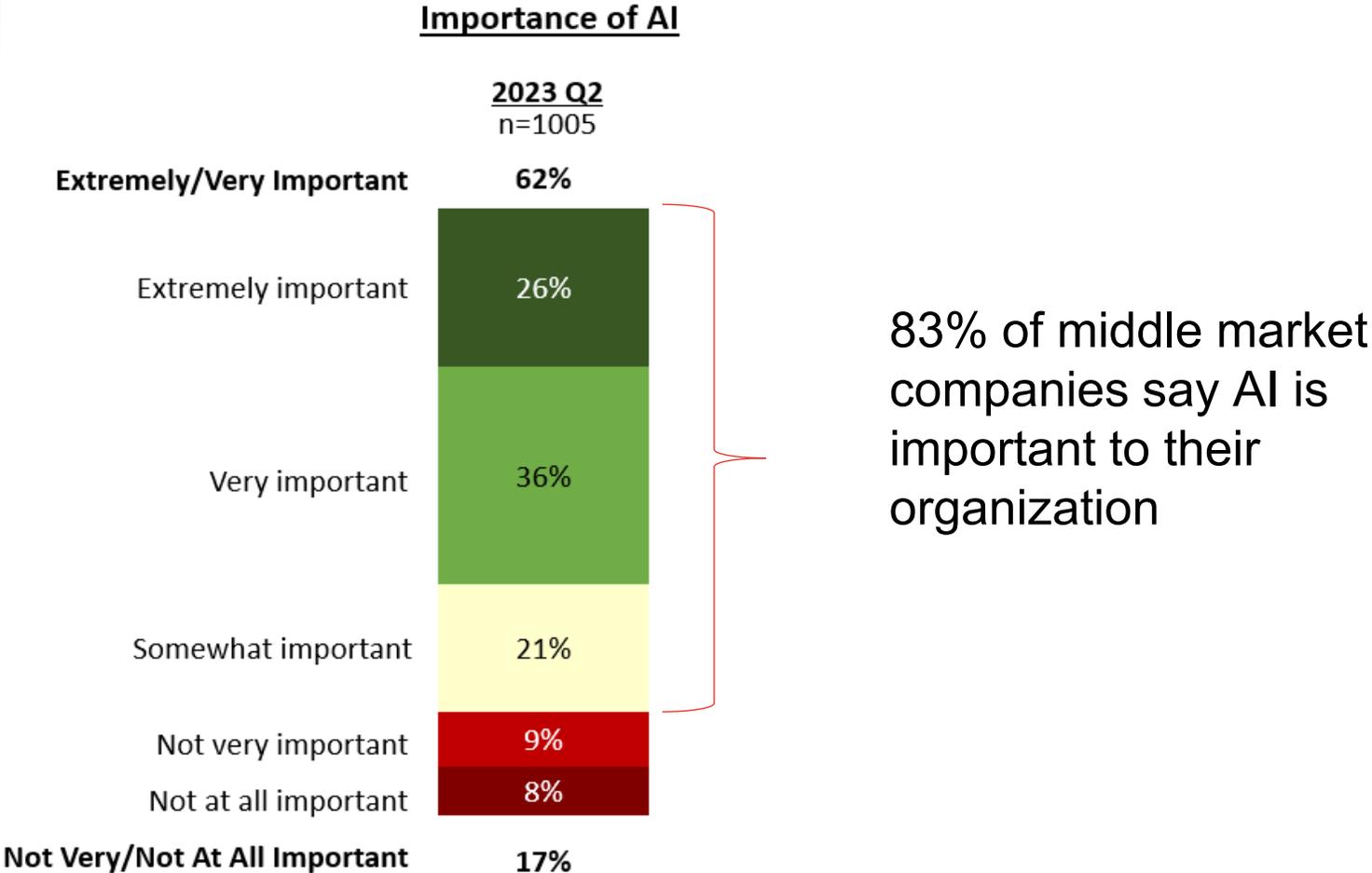
Goals of Digitization



Challenges



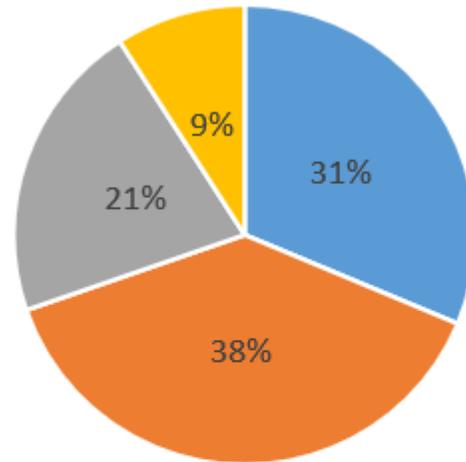
Artificial Intelligence



Source: Mid Year Middle Market Indicator Report

Artificial Intelligence

2023 Q2
n=1005

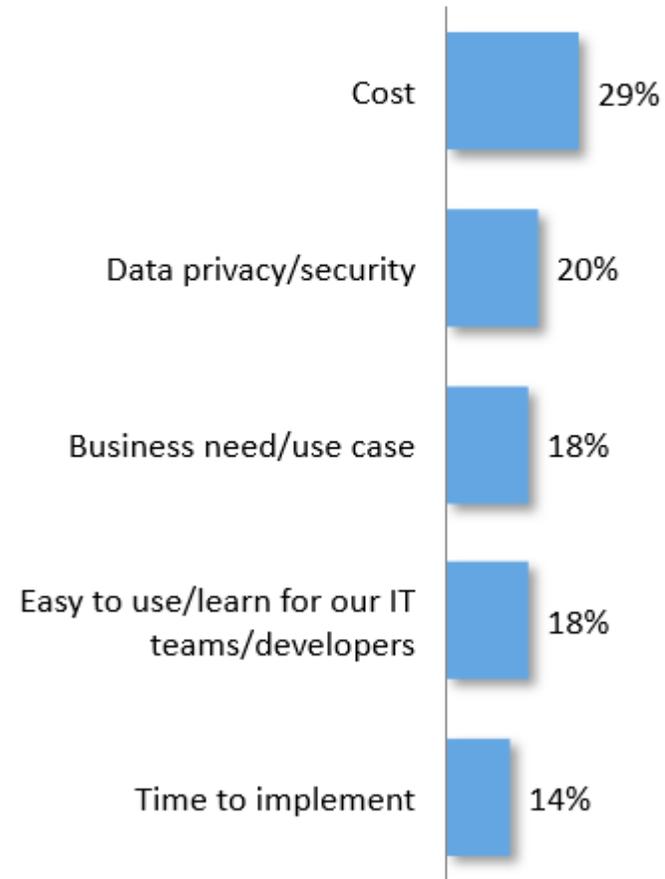


- Learning/discovery
- Exploring/trying it out
- Actively testing/using for business needs
- Already using and embedded into business

Only 30% of companies are actively testing/using for business needs, or already have AI embedded

Artificial Intelligence

2023 Q2
n=1005



Cost, security, and business need/case remain the most important elements when considering AI

Summary

- The middle market continues a strong growth trend:
 - Revenue and employment growth remain consistent
 - Confidence has rebounded from uncertainties of last summer
 - Lower projections for the coming 12 months– dependent on macroeconomic conditions, using technology to drive efficiency and manage costs, and attracting/retaining talent
- Inflation and other external headwinds are the biggest issues facing middle market companies, while talent challenges remain “evergreen”
- Digitization remains a priority in the face of cost pressures, talent challenges, and stagnant productivity. AI is an area of exploration for most of the middle market

Membership



NATIONAL CENTER FOR
THE MIDDLE MARKET

MEMBERSHIP OPPORTUNITIES AND ADVANTAGES

NATIONAL CENTER FOR THE MIDDLE MARKET

- Launched in late-summer 2022
- Designed for middle market companies looking to get involved with NCMM
- Access to more detailed data, NCMM programs, Fisher/OSU students, and more
- To learn more, visit www.middlemarketcenter.org/work-with-us



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